

KENTUCKY ECONOMIC INDICATORS

April 2006 Indicators as of June 22, 2006

KY Composite Index of Leading Indicators decreased 1.3 percent in April.

The Leading Index decreased for the second time this year.
The Leading Index rose by 0.8 percent over the same month last year.
Component indicators were mostly negative, 1:3, with one indicator unchanged.
 KY Labor Intensity Index decreased 1.0 percent.
 KY Index of Initial UI Claims was unchanged.
 US Retail Sales increased 9.5 percent.
 US Manufacturer's New Orders Index decreased 23.4 percent.
 Louisville Help Wanted Index declined 1 point to 39.

Component weights for April are 61.68, 17.32, 12.45, 6.52 and 2.03 respectively.

KY Composite Index of Coincident Indicators increased 3.8 percent in April.

The Coincident Index is positive for the eighth consecutive month.
Same-month-last-year growth is positive for the thirty-third consecutive month at 2.2 percent.
All component indicators were positive for April, 3:0.
 KY Nonagricultural Employment increased 2.6 percent.
 US Industrial Production Index increased 9.6 percent.
 US Personal Income Less Transfers increased 1.9 percent.

Component weights for April are 40.45, 25.21 and 20.86 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index has declined for the second time in three months. However, the index is still higher now than it was in February. Three of the five components were negative for April. US Retail Sales increased by a modest 9.5 percent, surpassing its previous record level in January. US Retail Sales have become more steady and seem to have found a new trend. During the time period beginning in March 2000 until February 2003, average US Retail Sales growth was 4.0 percent. Average growth since then has been 8.0 percent. Retail Sales, as an estimate of total consumer spending, has increased more than employment, productivity or wages.

The Kentucky Labor Intensity Index continues to show signs of weakness. This is the third time in five months that the index has declined. The index is only two-tenths of a point below its value from last year. The index is in a flat period. This is not a good sign for a series which has the most predictive power of the five components, nor is it a good for the middle of an expansion period. The other three components decreased only slightly after weight adjustment.

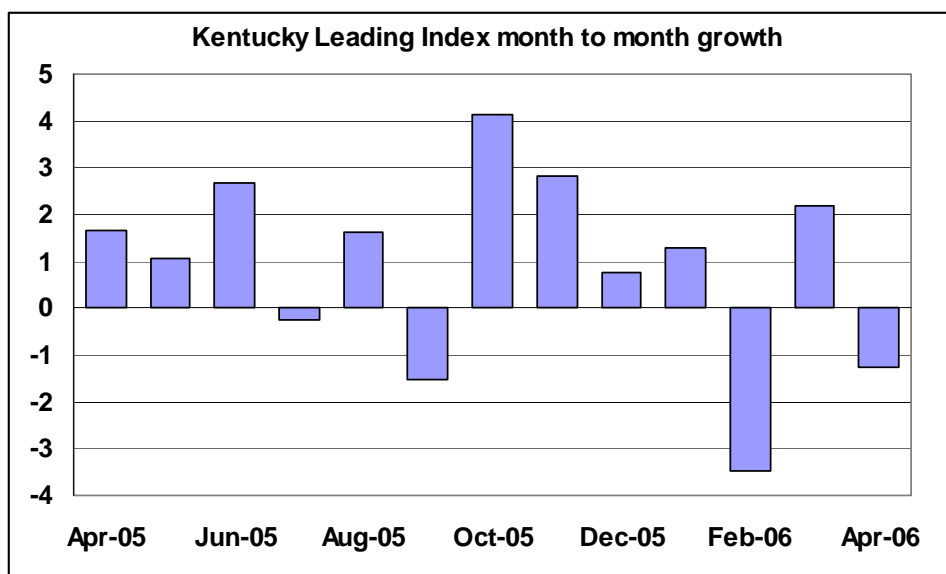
Kentucky Nonagricultural Employment grew a moderate amount in April at 2.6 percent. Nonagricultural employment has grown by 22,300 jobs since April 2005 despite the recent declines in Kentucky Manufacturing Employment. Nonagricultural employment is now 11,400 jobs above its October 2000 pre-recession peak of 1,831,300 jobs. Kentucky surpassed its previous nonagricultural employment peak in September 2005. There has been clear and moderately-strong growth in Kentucky Nonagricultural Employment since mid-2003.

Kentucky Leading Index gets a revamp

The April 2006 Leading Indicators represent the first release following a re-benchmarking of the series and its components. In the first such re-benchmarking since the conception of the project, GOEA has completely retested every variable used in computing the index, and also subjected many untested economic variables for possible inclusion in the index. The major differences resulting from this process are:

- The Kentucky Reference Series is still composed of two components: Inflation-adjusted Kentucky Personal Income Less Transfer Payments and Policy-adjusted Kentucky General Fund Tax Receipts. However, the Kentucky Reference Series used for the June 2006 testing is not quite identical to the series used in the previous 1998 testing and therefore slightly different turning points were derived. Kentucky Personal Income, as reported with the Bureau of Economic Analysis, has had its history revised several times since then with new benchmarking. The new benchmarking reflects better information about actual incomes, specifically the replacement of preliminary survey data with final actual data. Also, better information is now available on the impact of policy adjustments to the General Fund Tax Receipts. The series is now more historically accurate with respect to separating actual economic events from policy-driven events and timing issues.
- As part of the re-benchmarking, the Conference Board's US Leading Index was rejected during testing. It was contemporaneous for several turning points and missed two recessions entirely, including the 2001 recession. The US Leading Index was revised substantially in May 2005. As a result, the US Leading Index has produced misleading information regarding the Kentucky Leading Index, and is no longer considered a reliable indicator of Kentucky economic activity.
- A new component, the US Manufacturer's New Orders Index, was added. This is a variance-weighted average of Manufacturer's New Orders of Consumer Goods and Materials (mil. chain 1996 \$) and Manufacturer's New Orders of Nondefense Capital Goods (mil. chain 1996 \$). Combined these two categories make up a classification of intermediate production goods. The new index is relatively volatile and therefore has a small weight in the Kentucky Leading Index, 6.5 percent for April.

Readers interested in a complete description of the re-benchmarking methodology may contact GOEA for more information.



Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.

About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, <http://www.osbd.ky.gov/>

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Selected Kentucky Economic Indicators
Seasonally Adjusted

	2005						2006						
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
KY Leading Index (1992=100)	108.5	108.6	108.8	108.8	109.0	108.8	109.2	109.4	109.5	109.6	109.3	109.5	109.4
% Chg Previous Month SAAR	1.7	1.1	2.7	-0.3	1.6	-1.5	4.1	2.8	0.8	1.3	-3.5	2.2	-1.3
% Chg Same Month Last Year	0.6	0.5	0.9	1.0	0.9	0.8	1.2	1.2	1.1	1.3	0.8	1.1	0.8
KY Leading Index Diffusion Index	66.7	60.0	60.0	56.7	56.7	56.7	60.0	66.7	63.3	70.0	63.3	66.7	60.0
KY Coincident Index (1992=100)	129.7	129.9	130.4	130.4	129.6	130.2	130.6	131.1	131.6	131.7	131.8	132.1	132.6
% Chg Previous Month SAAR	0.3	2.1	4.5	0.2	-7.5	6.0	3.6	4.8	4.8	0.4	1.4	2.7	3.8
% Chg Same Month Last Year	2.0	1.9	2.4	2.1	1.2	1.8	1.6	1.8	1.1	1.8	1.7	1.9	2.2
KY Nonag Employment (000s)	1,821.2	1,823.3	1,826.1	1,822.7	1,831.1	1,832.1	1,833.4	1,833.9	1,836.0	1,838.5	1,836.7	1,839.6	1,843.5
% Chg Previous Month SAAR	3.4	1.4	1.9	-2.2	5.7	0.7	0.9	0.3	1.4	1.6	-1.2	1.9	2.6
% Chg Same Month Last Year	1.4	1.7	1.6	1.6	1.7	1.6	1.6	1.5	1.4	1.6	1.2	1.3	1.2
KY Mfg Employment (000s)	263.4	263.1	263.0	256.8	261.9	262.1	263.0	262.7	262.0	261.8	261.9	261.0	260.6
% Chg Previous Month SAAR	1.8	-1.4	-0.5	-24.9	26.6	0.9	4.2	-1.4	-3.2	-0.9	0.5	-4.0	-1.8
% Chg Same Month Last Year	0.0	-0.4	-0.4	-0.5	-0.9	-0.7	-0.3	-0.5	-0.5	-0.4	-0.3	-0.8	-1.1
KY Unemployment Rate (%)	5.9	6.0	6.1	6.2	6.2	6.4	6.4	6.4	6.5	6.3	6.3	6.0	6.1
KY Index of Initial UI Claims	103.2	102.6	103.3	103.2	103.0	100.4	102.8	103.5	104.0	105.3	104.1	104.2	104.2
% Chg Previous Month SAAR	0.0	-7.7	9.5	-1.6	-2.5	-25.9	32.0	8.6	5.8	16.4	-12.7	1.3	0.0
% Chg Same Month Last Year	1.4	0.2	0.9	1.5	0.8	-2.4	-0.3	0.8	0.7	2.6	0.7	1.0	1.0
KY Labor Intensity Index (1992=100)	105.3	105.2	105.1	105.0	105.0	104.9	105.0	105.0	104.9	105.2	105.1	105.2	105.1
% Chg Previous Month SAAR	0.9	-0.9	-1.3	-2.0	0.1	-0.8	1.4	0.1	-1.0	2.8	-0.4	0.8	-1.0
% Chg Same Month Last Year	0.4	0.3	0.2	0.2	0.0	-0.1	0.1	0.1	-0.1	0.1	0.0	0.0	-0.2
Louisville HWI (1992=100)	38.0	39.0	41.0	41.0	46.0	56.0	54.0	52.0	52.0	44.0	42.0	40.0	39.0
% Chg Previous Month SAAR	-46.0	36.6	82.2	0.0	297.8	959.6	-35.4	-36.4	0.0	-86.5	-42.8	-44.3	-26.2
% Chg Same Month Last Year	-25.5	-18.8	-19.6	-8.9	-2.1	40.0	31.7	23.8	26.8	4.8	2.4	0.0	2.6
GF Total Tax Receipts (\$ mill)	808.4	525.6	738.7	573.9	555.1	778.4	632.7	631.1	836.3	681.4	508.0	598.0	756.5
% Chg Same Month Last Year	12.1	9.6	16.6	10.5	8.1	18.8	12.3	7.4	17.8	3.3	1.4	5.2	-6.4
GF Sales & Use Receipts (\$ mill)	224.2	216.1	219.6	238.5	217.4	229.6	235.6	218.6	228.8	289.0	191.1	204.5	230.5
% Chg Same Month Last Year	3.1	5.1	9.9	5.5	2.7	11.1	5.2	8.7	5.1	6.5	8.4	2.2	2.8
GF Income Tax Receipts (\$ mill)	413.7	215.3	266.3	238.1	250.8	278.0	259.3	234.0	254.3	220.9	199.1	171.4	340.2
% Chg Same Month Last Year	12.8	13.6	-1.4	6.2	2.2	2.1	3.8	1.7	-1.8	-12.6	-14.0	-2.6	-17.8

Selected US Economic Indicators
Seasonally Adjusted

	2005												2006			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR			
US Leading Index (1996=100)	135.5	135.6	137.1	136.9	137.0	135.8	136.9	138.2	138.6	139.1	138.5	139.0	138.9			
% Chg Previous Month SAAR	0.9	0.9	14.1	-1.7	0.9	-10.0	10.2	12.0	3.5	4.4	-5.1	4.4	-0.9			
% Chg Same Month Last Year	2.3	1.7	2.5	2.0	1.9	1.0	1.9	2.2	1.8	2.4	1.6	2.7	2.5			
US Coincident Index (1996=100)	119.5	119.8	120.2	120.5	119.5	120.1	120.5	121.2	121.7	121.8	122.1	122.3	122.6			
% Chg Previous Month SAAR	1.0	3.1	4.1	3.0	-9.5	6.2	4.1	7.2	5.1	1.0	3.0	2.0	3.0			
% Chg Same Month Last Year	2.3	2.2	2.6	2.6	1.4	2.0	1.9	2.3	1.5	2.2	2.3	2.4	2.6			
US Nonag Employment (Mil.)	133.1	133.2	133.4	133.6	133.8	133.8	133.9	134.2	134.4	134.5	134.7	134.9	135.0			
% Chg Previous Month SAAR	2.1	1.0	1.5	2.2	1.6	0.4	0.3	3.2	1.3	1.4	1.8	1.6	1.1			
% Chg Same Month Last Year	1.5	1.4	1.5	1.6	1.7	1.6	1.3	1.5	1.5	1.6	1.5	1.5	1.4			
US Unemployment Rate (%)	5.1	5.1	5.0	5.0	4.9	5.1	4.9	5.0	4.9	4.7	4.8	4.7	4.7			
US Manufacturer's New Orders Index (1996=100)	124.0	129.6	129.5	125.5	129.9	126.6	128.0	132.3	132.6	127.9	127.4	131.8	128.9			
% Chg Previous Month SAAR	11.5	69.7	-0.5	-31.6	51.4	-26.3	13.6	49.2	2.5	-35.5	-3.9	50.1	-23.4			
% Chg Same Month Last Year	0.1	4.8	4.7	0.4	4.8	3.0	5.5	6.0	5.8	2.8	2.5	7.3	4.0			
US Initial Claims for UI (000s)	328.6	335.5	323.9	319.6	317.2	393.4	338.9	315.6	310.4	286.3	306.0	308.9	314.7			
% Chg Previous Month SAAR	-38.7	28.3	-34.4	-14.8	-8.6	1,224.4	-83.3	-57.5	-18.1	-62.1	122.2	12.0	25.0			
% Chg Same Month Last Year	-6.3	-2.4	-5.3	-7.2	-7.0	16.6	2.5	-4.0	-4.6	-14.2	-5.1	-9.8	-4.2			
US Industrial Production Index	107.2	107.4	108.3	108.3	108.6	107.2	108.4	109.4	110.4	110.3	110.8	111.4	112.3			
% Chg Previous Month SAAR	-1.4	2.8	10.0	-0.2	3.5	-14.7	14.6	11.7	12.0	-0.9	4.5	7.3	9.6			
% Chg Same Month Last Year	3.1	2.4	3.7	3.1	3.1	2.0	2.4	3.2	3.5	3.2	3.2	3.8	4.7			
US Personal Income Less Trans. (Bil. 2000 chained)	7,798.6	7,822.9	7,862.9	7,898.4	7,561.4	7,855.0	7,846.7	7,903.5	7,945.0	7,943.8	7,967.8	7,972.9	7,985.6			
% Chg Previous Month SAAR	-3.3	3.8	6.3	5.6	-40.7	58.0	-1.3	9.0	6.5	-0.2	3.7	0.8	1.9			
% Chg Same Month Last Year	2.9	3.1	3.7	3.5	-1.1	2.8	1.7	2.0	-1.6	1.9	2.0	2.0	2.4			
CPI, All Urban (1982-84=100)	194.1	194.0	193.9	195.1	196.2	198.6	199.1	197.8	197.7	199.0	199.1	199.8	201.0			
% Chg Previous Month SAAR	5.7	-0.6	-0.6	7.7	7.0	15.7	3.1	-7.6	-0.6	8.2	0.6	4.3	7.5			
% Chg Same Month Last Year	3.5	2.9	2.5	3.1	3.6	4.7	4.4	3.5	3.4	4.0	3.6	3.4	3.6			
US Retail Sales (\$Billions)	339.8	338.6	343.0	351.5	345.1	346.6	347.4	349.6	351.1	361.7	358.7	361.2	363.9			
% Chg Previous Month SAAR	21.6	-4.3	16.7	34.0	-19.6	5.1	3.1	7.8	5.1	43.2	-9.7	8.7	9.5			
% Chg Same Month Last Year	8.2	5.9	9.4	9.9	8.1	6.6	6.2	6.7	5.8	9.4	7.4	8.0	7.1			
Manufacturing & Trade Sales (\$thous. 2000 chained)	937.8	944.3	948.4	950.4	951.8	944.2	946.0	958.2	965.0	975.8	973.6	977.7	*979.6			
% Chg Previous Month SAAR	6.5	8.6	5.3	2.6	1.8	-9.1	2.3	16.5	9.0	14.2	-2.7	5.2	2.4			
% Chg Same Month Last Year	3.5	3.8	4.2	3.8	3.4	2.5	2.5	3.6	3.0	3.8	4.3	4.8	4.5			
US Consumer Expectations (1966=100)	77.0	75.3	85.0	85.5	76.9	63.3	63.2	69.6	80.2	78.9	74.5	76.0	73.4			
% Chg Previous Month AR	-58.2	-23.5	328.0	7.3	-72.0	-90.3	-1.9	218.2	448.0	-17.8	-49.8	27.0	-34.1			
% Chg Same Month Last Year	-11.8	-7.7	-4.0	-6.3	-12.8	-28.1	-24.6	-18.3	-11.8	-7.9	-11.7	-8.2	-4.7			
Ave. Prime Interest Rate (% , NSA)	5.75	5.98	6.01	6.25	6.44	6.59	6.75	7.00	7.15	7.26	7.50	7.53	7.75			

*ARIMA estimation